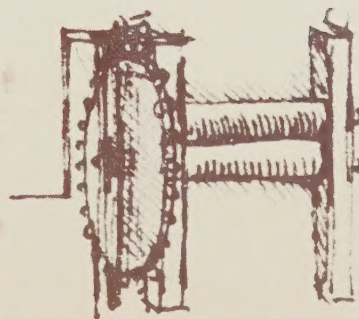
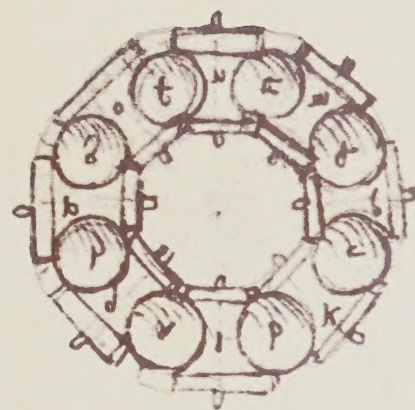
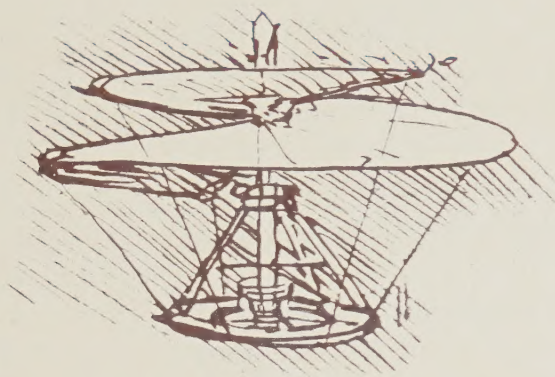


TEXTRON

1974 Annual Report



Our Cover

Ideas in action: 500 years later

Many of Textron's advanced products were present in the mind of one supremely creative individual five centuries ago.

The genius of Leonardo da Vinci (1452-1519) embraced the physical sciences as well as the arts. His drawings depict a stream of ideas for mechanical devices and machines. A number of his concepts are now realities within Textron: the helicopter, the ball bearing, the rolling mill, the rocket engine, the lathe.

Leonardo's drawings of some "Textron products" are reproduced on the cover of this report. Several of the sketches came to general notice last fall with the publication by McGraw-Hill of the Madrid Codices, the long-lost sketchbooks of Leonardo.

The ideas of a diversified genius of the Italian Renaissance now are part of the daily lives of people around the world, thanks to modern technology, investment and management.

Textron is pleased to call attention to the durability of Leonardo's ideas. Textron endeavors to keep its own thinking innovative and progressive in order to transform creative ideas into action.

The Leonardo da Vinci drawings on the front cover depict (from top) a helicopter, a ball bearing, a rocket and a rolling mill. On the back cover (from top) are a coupling device (forerunner of the TORX fastener driving system), wire-drawing equipment, a screw cutter, and spectacles.

The drawings are reproduced through permission of the following: McGraw-Hill Book Company, New York; Bibliothèque Nationale, Paris; Biblioteca Ambrosiana, Milan; Turin Royal Library, Turin.

Highlights

	1974	1973
Net sales	\$2,113,754,000	\$1,858,402,000
Pretax income	188,254,000	181,537,000
Net income	105,904,000	100,837,000
Earnings per share*	\$2.83	\$2.65
Dividends declared per share	1.10	.98

*Based on average shares outstanding during the year assuming full conversion of preferred stock and exercise of warrants and stock options.

Employees 68,000

Plants 180

Securityholders 96,000

The Textron Concept and Objectives

Textron is founded on the principle of balanced diversification, designed on the one hand to afford protection against economic cycles and product obsolescence and on the other to provide a means for participating in new markets and new technologies. The key elements are balance and flexibility in a rapidly changing world.

The primary goal is superior performance on a continuing basis. This includes above average growth in earnings per share and in dividends to shareholders.

Textron seeks to be distinctive in its products and services: distinctive as to technology, design, service and value. Superior performance will be achieved by way of excellence and quality.

Textron operations are conducted through a number of Divisions in five Groups—Aerospace, Consumer, Industrial, Metal Product and Creative Capital. Each Division carries on its business under its own well-known name with its own organiza-

tion. Management philosophy is based on decentralization of day-to-day operations, coupled with centralized coordination and control to assure overall standards and performance.

There are three priorities: People development. Internal growth. New initiatives.

To achieve the goal of superior performance for the ten-year period from 1972 to 1982, the specific objectives for average annual compound rates of growth as included in last year's annual report are:

Sales: 8%, to \$3.5 billion in 1982.

Progress, 1972 to date: 12%, to \$2.1 billion in 1974.

Net income: 10%, to \$200 million in 1982.

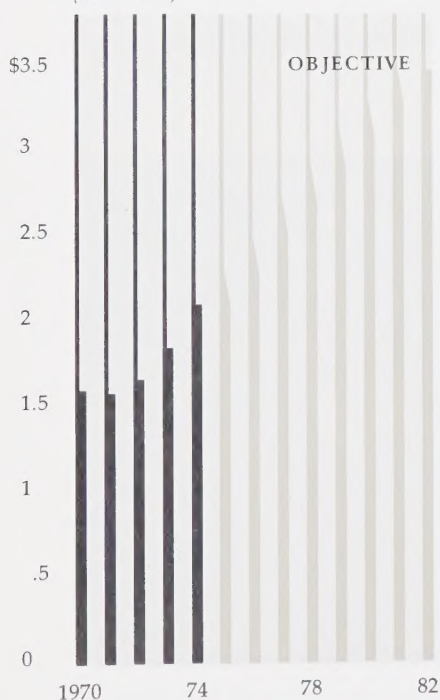
Progress, 1972 to date: 14%, to \$106 million in 1974.

Earnings per share: 10%, to \$6.00 in 1982.

Progress, 1972 to date: 10%, to \$2.83 in 1974.

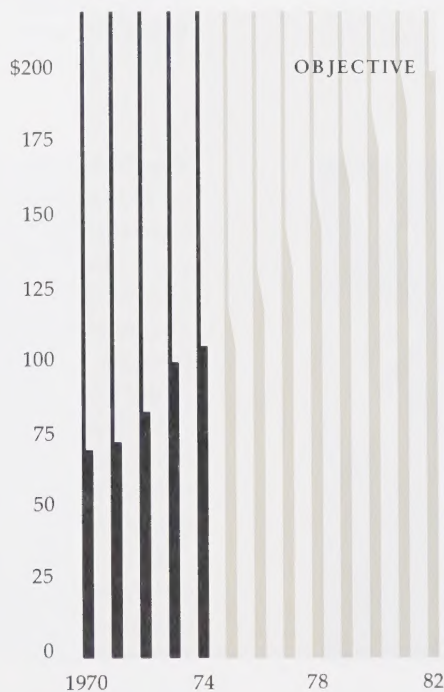
Sales

(in billions)

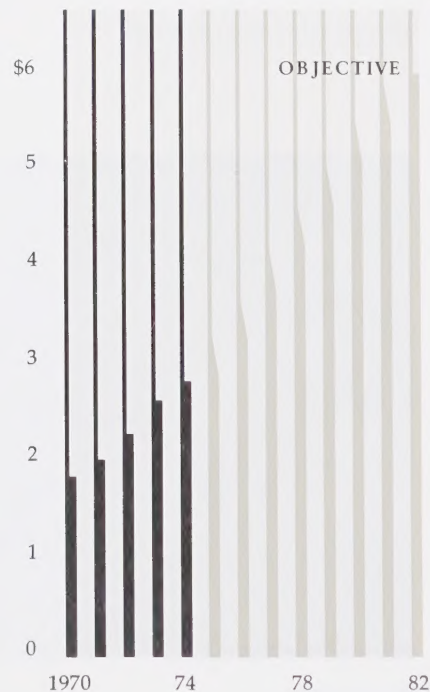


Net Income*

(in millions)



Earnings Per Share*



* Restated for pooling of interests.

Message to Shareholders

We live in a time of anxiety. The year 1974 would be considered by most standards a year of prosperity and should have been a period of stability and promise. But the shadows have been many and long: virulent inflation now coupled with a serious recession, grave energy problems, discord in the Middle East, political transition in many nations, and the specter of famine in poorer countries.

Yet we must put these somber considerations in their proper perspective. Over the past quarter-century economic progress has advanced the standard of living for countless people. Technological progress has removed or lightened many human burdens. Social progress has expanded opportunities. The capacity and vitality is at hand to protect and enhance the well-being of people everywhere. The major nations are at peace. Personal freedoms have been preserved and even extended.

We need only to be realistic about our current problems and resolute about building upon our strong economic and political foundations.

New Records Achieved

The very nature of the present Textron assures it the balance and flexibility to withstand these difficult times and even to prosper in the face of adversities. Thus, for 1974, Textron was again able to report record sales and earnings.

Sales for the first time exceeded the \$2-billion level, increasing 14% over 1973. Net income was up 5% and earnings per share 7%.

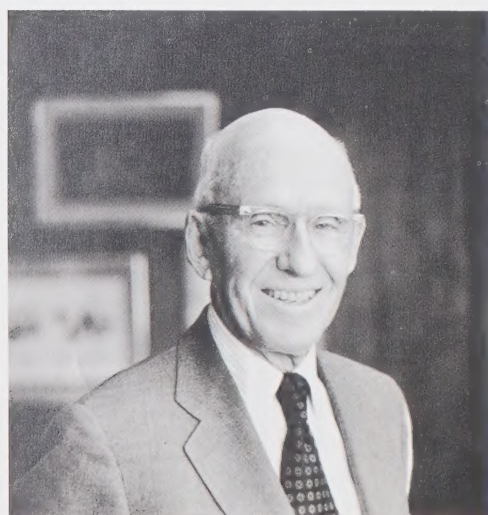
These results were achieved despite high interest charges, material shortages, inflated costs and additions to LIFO inventory reserves. The diversification of Textron's products and the development of new markets made the earnings increase possible.

Product Group Balance

Over the years, each of Textron's product groups, at various times, has been an important element in the earnings growth of the Company or has helped to offset cyclical downturns in other areas. During the last five years, net income in the Aerospace Group has increased in all but one year, notwithstanding a major decline in sales to the United States military. Aerospace earnings again increased in 1974.

The Metal Product Group, depressed for three prior years, substantially improved in 1973 and continued this upward trend in 1974, reflecting the return to health of the capital goods industry. The Industrial Group reached a high point of earnings in 1973, which it almost matched during the past year.

The Consumer Group reached its peak in the years when the Metal Product and Industrial Groups were down. It declined somewhat in the past two years when those two groups showed improvement.



Royal Little

Royal Little, the founder and retired chairman of Textron, is one of nineteen American businessmen named in December by Fortune Magazine as the first selections to a new Junior Achievement Hall of Fame for Business Leadership. Only four living businessmen were so honored. The laureates include Cyrus H. McCormick, Andrew Carnegie, Thomas A. Edison, John D. Rockefeller and Henry Ford.

Fortune said of Mr. Little, "... he created a fundamental new corporate form" in the unrelated diversification he pioneered with Textron, and noted that Textron is flourishing today.

Mr. Little, who is 79, retired from Textron in 1961 and is still active in a number of organizations, including several corporations which he has founded since leaving Textron. His offices are in Providence and his home is in Narragansett, Rhode Island, overlooking the Atlantic.

The newest Group, Creative Capital, represents an extension of the Textron concept into financial services. This Group has recently felt the effects of inflated costs in connection with the settlement of casualty claims in the insurance industry. However, its disappointing performance in 1974 was offset by the overall results of the manufacturing Groups.

International Progress

The continued increase in international business was a gratifying aspect of Textron's operations in 1974. International sales, both from U.S. exports and non-U.S. operations rose to \$548 million, or 26% of Textron's total. In 1968, the year before the decision was made to emphasize transnational expansion, international sales were but 7% of the total.

Refinements and Capital Programs

Earnings have been strengthened by programs to improve efficiency in all areas. New programs have conserved energy and improved manufacturing procedures. Capital expenditures reached a new high of \$68 million. In October the Pittron Division was sold for cash, with no significant effect on net income.

The higher volume of Textron business brought a need for additional capital. A \$77.5-million, six-year term loan with a group of ten banks was therefore arranged in October 1974. The proceeds are being used for plant modernization as well as additional working capital. Textron's financial structure remains sound, with long term debt only 27% of total capitalization at year-end.

Lockheed Proposal

On June 3, 1974, a tentative plan was announced which would involve an investment by Textron in Lockheed Aircraft Corporation. However, the plan was subject to a number of conditions which for reasons beyond the control of the parties could not be met within the prescribed timetable. The plan therefore expired at the end of February.

Plans and Outlook

The policies which enabled Textron to perform well in the past will be reemphasized in 1975. Continued operational refinement, performance improvement and new product introductions will be coupled with strong asset management. While at this time there are too many uncertainties to permit a reliable forecast, Textron expects to outperform the general economy in 1975.

Despite the current climate, Textron's outlook for the balance of the decade is encouraging.

G. William Miller
Chairman
J. B. Collinson
President

February 28, 1975



G. William Miller



Joseph B. Collinson

Balance and Growth

The balanced diversification which Textron has built over the years enables it to adapt to economic and social change. In 1974, this served the Company well. Earnings of the Aerospace and Metal Product Groups advanced from 1973, more than offsetting declines in the Consumer and Creative Capital Groups. Not only is there balance in Textron overall, but also in many Divisions which have established broadened product lines within their own market areas.

In the Aerospace Group, Bell Helicopter continued its excellent performance. Long a leading supplier to the United States armed forces, Bell has more recently expanded its sales in commercial and international markets. As a result, despite a drop in U.S. military sales, Bell's dollar volume in 1974 increased 25%.

After many years of development, Bell now has the most extensive line of helicopters in the world.

Its commercial models are finding ever-increasing uses ranging from personal transport to banking to traffic control to power line surveillance to pipeline construction. A rapid expansion has occurred in the utilization of helicopters to search for and develop oil and other natural resources. As additional applications have evolved, Bell has responded with appropriate new models and will begin deliveries of three new commercial helicopters in 1975 and 1976.

The Hydraulic Research and Manufacturing Division increased sales in all product lines. Its hydraulic valves and control systems have been specified on such important current Government projects as the Space Shuttle, the F-14 fighter plane and the Phoenix missile.

Bell Aerospace was awarded a U.S. Navy contract for a two-company competition to design a high-speed, 2,000-ton, air-supported surface effect ship. Bell production of a specialized propulsion system

Sales and Income by Product Group

(dollars in millions)

	Net Sales		Pretax Income		Net Income	
	1974	1973	1974	1973	1974	1973
Consumer	\$ 641.6 30%	\$ 614.1 33%	\$ 53.1 28%	\$ 55.8 31%	\$ 27.7 26%	\$ 29.4 29%
Aerospace	581.8 28%	499.0 27%	46.9 25%	40.8 22%	28.6 27%	23.4 23%
Industrial	469.9 22%	392.6 21%	38.1 20%	38.4 21%	19.9 19%	21.1 21%
Metal Product	420.5 20%	352.7 19%	51.5 28%	38.2 21%	27.6 26%	20.3 20%
Creative Capital	—	—	(1.3) (1%)	8.3 5%	2.1 2%	6.6 7%
Total Textron	\$2,113.8	\$1,858.4	\$188.3	\$181.5	\$105.9	\$100.8

for the Minuteman III missile continues, but at a reduced rate. The outlook for Bell's Dalmo Victor unit is promising because of the growing importance of airborne electronic countermeasures in defense systems.

In the Consumer Group the results at Speidel, Homelite and Eaton Paper were especially favorable. Gorham and Sheaffer Pen also continued their fine performances.

Speidel sales were augmented by introduction of new jewelry products, including fashion bracelets for women. New Speidel watchbands were added to the line in the U.S., and marketing began for the first time in six European countries. Test marketing was undertaken for a new Speidel digital watch manufactured by Textron's Electronic Research Division.

Homelite experienced increased worldwide demand for its chain saws, both for professional and for leisure-time uses. During 1975, Homelite will be moving into new headquarters to be constructed near Charlotte, North Carolina.

Eaton Paper increased its earnings at a time when costs of its principal raw materials were rising steeply. Performance was improved through con-

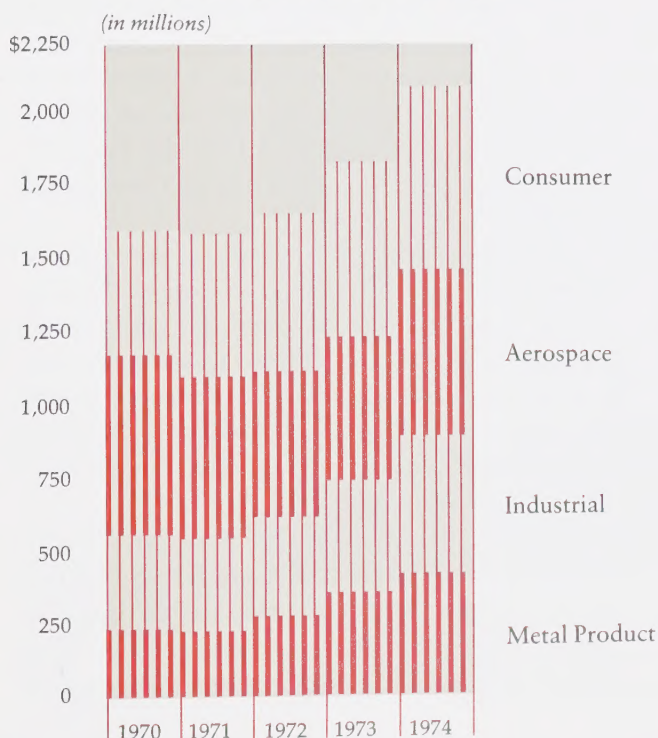
solidation of product lines, reorganization of sales departments and establishment of more effective controls.

In order to improve internal balance Gorham has broadened its product line in recent years with the addition of fine china, crystal and giftware, supplementing its traditional sterling silver. In 1974 this diversification was continued with the successful introduction of pewter tableware. Sales of giftware and tabletop products other than sterling silver now account for more than 40% of Gorham's total volume.

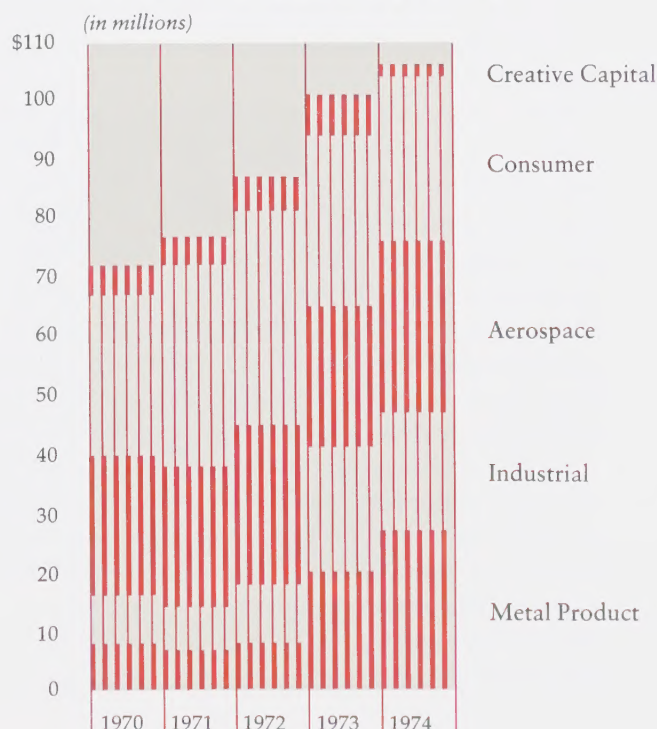
Sheaffer sales of high quality writing instruments have been expanding most rapidly in international markets. In 1974 distribution was extended to a number of new territories outside the U.S. However, at the beginning of 1975 results were being affected by a strike at the Fort Madison, Iowa facility.

Despite the favorable results in these Divisions, softness in a few areas resulted in lower earnings for the Consumer Group. Talon has been hurt by a weak market for zippers brought about by fashion trends and by depressed conditions in the apparel and home sewing industries. In a highly competitive

Net Sales by Product Group



Net Income by Product Group*



* Restated for pooling of interests.

environment, it was not possible to pass on rapidly increasing costs. Talon has therefore placed even greater emphasis on cost reduction, higher productivity and new product development.

At the Polaris Division, snowmobile production in 1974 was reduced from the prior year because of a large carry-over of inventories in the industry. Inventories have now reached more normal levels and improved market conditions are expected in 1975. A favorable offsetting factor at Polaris was an excellent performance of E-Z-Go, a leading golf car producer.

Shuron Continental, which manufactures eyewear and optical machinery, continued to experience operating difficulties in 1974. Progress is being made toward restoring this Division to its previous standard of profitability in an important health care field.

The Industrial Group benefited from gains at Campbell, Wyant and Cannon and Spencer Kellogg. Fafnir and Burkart/Randall continued to do well.

During the year, CWC began to realize benefits from its program for facility modernization and automation. Its major product line is grey iron castings for diesel engine blocks used in trucks and off-the-road equipment. In 1974 the Golden Foundry production facility in Columbus, Indiana, was added to CWC operations.

Spencer Kellogg serves the coatings industry with special chemical products and vegetable oils. To improve its geographical coverage, Spencer Kellogg in 1974 acquired an additional plant in Maryland, providing access to new markets as well as extending its line of resins.

Fafnir, while enjoying another excellent year, has endeavored to attain greater balance in markets for precision ball bearings by diversifying into selected new areas such as nuclear reactor control mechanisms, components for computer systems and data transmission and reproduction devices. In addition, Fafnir's product line has been broadened to include complete assemblies which incorporate its bearings. Principal markets are agricultural implements, machine tools, aircraft engines and office equipment.

Some operations of the Industrial Group were adversely affected in 1974 by depressed conditions in certain sectors of the economy. Specifically, cutbacks in automobile production late in the year caused a reduction in shipments by Burkart/Randall, which manufactures automotive cushioning material, metal trim and tubular products. Although the

Division had satisfactory sales and profits in 1974, its level of production is being impacted in early 1975.

Despite the depression in the housing industry, sales of Sprague gas meters were almost equal to those of the prior year. The market for Walker/Parkersburg pre-engineered metal buildings and electrical raceway systems held up well until late in the year. Results were affected by a ten-week strike at the beginning of 1974.

The substantial improvement in sales and earnings of the Metal Product Group was attributable to strength in the Group's two major areas—engineered fasteners and capital equipment.

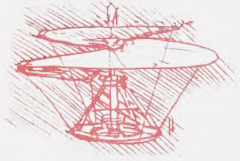
The Camcar and Townsend Divisions each had record sales and earnings in 1974. Townsend is an important supplier to automotive and appliance manufacturers, and it has also been successful in a program of market diversification. The result has been a better balance in its sales of specialized and proprietary fasteners. Townsend is also beginning to apply its material-saving, cold-forming technology in new areas beyond the fastener field, such as the replaceable cutting tool bits used in coal mining.

Camcar has likewise pursued a program of diversification within its field. A pioneer in such metal-forming technology as the Raycarl process, Camcar is a leader in the manufacture of special fasteners and metal parts.

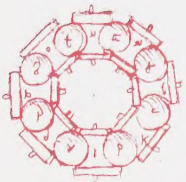
In the Group's other fastener field, stapling and power-nailing systems, Bostitch experienced a decline in earnings as a result of recessions in the housing and furniture industries. The Division responded by emphasizing sales for other applications of power-nailing equipment, but this was not enough to provide a complete offset. A favorable factor for Bostitch, however, was growth in its international business.

Sales of the capital goods Divisions were boosted by the demand for equipment to expand capacity, reduce costs, increase productivity and provide greater precision in manufacturing processes. The backlog of orders for Waterbury Farrel's rolling mills and numerically controlled lathes increased substantially. Orders from Eastern Europe were especially encouraging.

The Bridgeport Machines Division had a record year because of excellent demand for its standard line of vertical milling machines as well as continued growth in recently introduced new products. These include larger milling machines and machine con-



The critical need for locating and developing new sources of energy has increased use of Bell helicopters in all parts of the world. Here, a Bell Model 205 picks up oil field equipment at an Alaskan drilling site.



Fafnir bearings are relied upon by farm equipment manufacturers to keep machinery working under difficult conditions. Here, five combines, which utilize a wide variety of Fafnir bearings, harvest wheat in the Palouse Hills of Eastern Washington.

trols. Adcock-Shipley, with headquarters in England, increased sales and earnings despite the problems of the British economy in the first half of the year.

The reduction in earnings of the Creative Capital Group was caused by underwriting losses at the Security insurance companies. These resulted mainly from extraordinary claims arising from the disastrous tornadoes in the spring of 1974 and from the effects of inflation on the costs of reimbursing policyholders for casualty losses without the availability of increased premiums. The charges for medical care

and automotive and other repairs have been more seriously affected by inflation than costs in the economy generally. Since joining Textron in mid-1973, Security has initiated a program to expand its business, and there has been an increase in written premiums after several years of decline. It is expected that this improving trend will continue.

In view of the turn in economic conditions, American Research and Development has concentrated its efforts on working with portfolio companies to improve future profits.

IDEAS IN ACTION

Expanding International Markets

Textron's expansion into new geographical areas began to receive emphasis five years ago. In 1969 international sales, by export and by manufacture outside the United States, were \$150 million. By 1974, these sales had increased more than threefold, reaching \$548 million. Exports from the U.S. were \$292 million; sales from operations outside the U.S., \$256 million. Together they represented 26% of Textron's total 1974 sales volume.

During the past five-year period, exports increased dramatically, by 211%, creating additional employment for Americans. Largest gains in 1974 exports were experienced in sales of Bell helicopters, Homelite chain saws, Sheaffer pens, Waterbury Farrel rolling mills and Spencer Kellogg products.

Bell Helicopter's exports of products and services rose to \$160 million, including billings under its five-year, \$700-million contracts to supply Iran with helicopters and associated training and logistic services. Homelite and Sheaffer each doubled its exports in 1974.

Part of the growth in exports has been in shipments to Eastern Europe, where there has been strong demand for capital equipment. Additional orders have been received, including important contracts for Waterbury Farrel rolling mills.

Sales from operations outside the United States also have increased substantially during the past

five years—by 360%. Such direct non-U.S. operations are essential in order to reach distant markets, and in many cases provide the only effective means of being competitive with local or other suppliers. Sixteen Textron Divisions now have manufacturing plants outside the United States, operating as part of regional Textron subsidiaries.

The following table provides a breakdown of Textron international sales.

Textron international sales

<i>(in millions)</i>	1974	1973
Sales from operations outside the U.S.:		
Textron Atlantic (Europe)	\$129	\$107
Textron Canada	55	42
Textron Pacific (Australia)	45	41
Other	47	8
Subtotal	276	198
Less resale of components manufactured in U.S.	20	26
Net	256	172
Exports from the U.S.	292	181
Textron international sales	\$548	\$353



Jan Morkisz, left, a representative of the Polish foreign trade organization, Centrozap, and Stanley G. Fisher, president of Textron's Waterbury Farrel Division, inspect a large casting for a copper and brass rolling mill at Waterbury Farrel's plant in Cheshire, Connecticut. The completed mill will be part of a large rolling mill complex being built by Waterbury Farrel for a nonferrous metalworks plant of the Government of Poland at Szopienice, Silesia.

Internal Growth and Productivity

When bottlenecks, inflation and recession are causing extraordinary difficulties in the marketplace, internal growth calls for a special measure of creativity and resourcefulness.

Research and the development of new products are essential, and Textron has consistently placed emphasis on these activities. More than \$182 million has been expended on company-financed research and development over the past five years. In 1974, the total was \$40 million, an amount equal to 21% of pretax profits. During the year, sales of products introduced in the past five years amounted to more than 23% of Textron's total. Approximately 1,700 employees are engaged full time in company-sponsored R&D.

An important aspect of productivity improvement and, hence, of internal growth, is capital expenditure for new equipment and facilities. In 1974, Textron spent \$68 million for modernization and expansion. Approximately one million square feet of manufacturing space was added. Over the last five years, Textron's new capital investment has totaled \$253 million, a sum equal to 126% of depreciation for the period.

In order to increase productivity and improve return on investment, Textron is reemphasizing its Performance Improvement Program, including special attention to new areas such as energy conservation. The revitalized PIP stresses individual motivation, the sharing of ideas among all Textron Divisions, and corporate recognition of outstanding achievements.

Continuation of the company-wide energy conservation drive in 1974 resulted in an estimated 15% reduction in consumption, adjusted for comparable

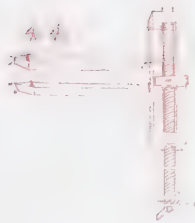
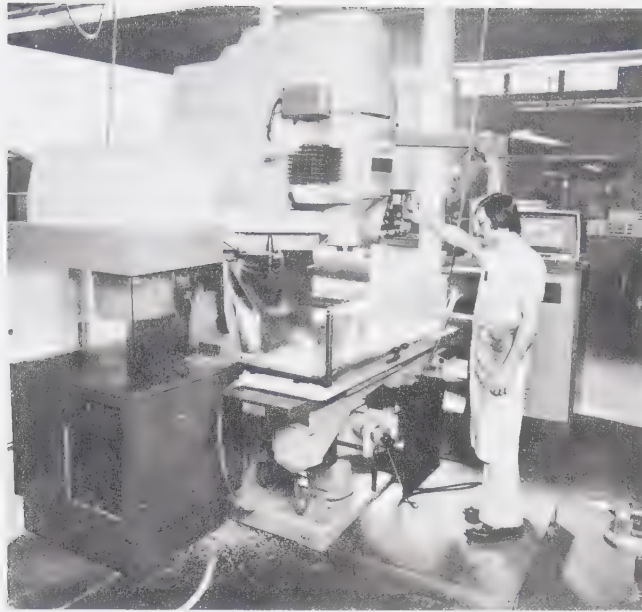
production levels. Textron will maintain strong programs to control use of energy in order to lower operating costs as well as to support national policy.

Textron Divisions have been both responsible and imaginative in their approaches to energy conservation. As an example, at one of its locations, Burkart/Randall purchases steam from a municipal waste disposal plant and uses it for plant heating in place of costlier gas. Fafnir converts waste heat from process furnaces for plant heating. Camcar and Townsend reclaim lubricating oil as heating fuel. Eaton Paper uses steam to atomize heating oil, with an estimated 20% reduction in consumption.

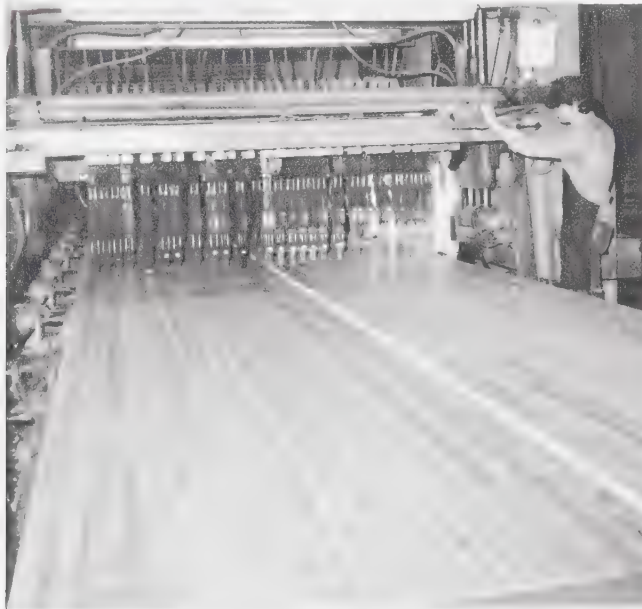
Shortages of raw materials and basic components of manufactured goods adversely affected performance at several Divisions, especially in the first half of 1974. During the period of greatest scarcity, Textron's Divisions developed many substitute materials and alternate sources of supply. Strikes reduced production at several Divisions during the year, but none had a material effect on Textron's earnings.

Productivity and performance are always enhanced by effective health protection and safety measures, as well as by modernization of plant and conservation of materials. In complying with requirements under the Occupational Safety and Health Act, Divisions have been especially active in noise abatement programs dealing both with in-plant production equipment and with product standards.

Textron spent \$800,000 during the year on equipment and processes for pollution control. Expenditures in 1975 are expected to be in the area of \$2.3 million.



Machines produced by Textron's capital equipment Divisions are improving productivity in plants here and abroad. Bridgeport Machines' new Series II Machining Center allows automatic choice of 36 tools, on tape command, to provide multiple machining operations. The machine shown here is in operation in a plant of Cognitronics Corporation in Stamford, Connecticut.



Camcar's TORX drive system, an advanced technique for delivering the twisting force that tightens fasteners, is especially adaptable for use in automated assembly operations. The drilling-screwdriving machine shown here simultaneously drives 26 TORX fasteners for truck-trailer fabrication at a Lufkin Trailer Co. plant in Texas.

People and Their Development

Textron achieves its corporate and divisional goals through the talent and effort of all of its employees, and the development of people remains Textron's number one priority.

The diversity of Textron's operations provides the Company with a large reservoir of people with experience, skills and motivation. Divisional efforts to improve manpower planning are coordinated through the corporate People Development function.

To assure that there will be human resources available to match future opportunities, Textron endeavors to take advantage of its diversification to provide broad experience for its people. Voluntary job rotation and transfer to and from the corporate office and among Divisions assist in developing management talent.

Another means of encouraging individual growth is Textron's management seminar program. Two-week courses, conducted by faculty of the Harvard Business School, are provided for selected divisional executives under the Textron advanced management and executive development programs. Ninety-two completed these sessions in 1974, bringing total attendance in six years to 376.

Divisions offer training to their own employees through in-plant and field seminars, often in cooperation with educational institutions and trade associations.

Textron recognizes the potential of every individual to contribute to the strength of the Company, and views the employment and advancement of women and members of minorities as essential to achievement of its goal of superior performance. Total employees in the United States numbered approximately 57,000 as the year drew to a close. Of this figure, approximately 15,000 were women and 7,000 were members of minority groups.

Textron's concern for people extends beyond the Textron family. Charitable and educational contributions, through The Textron Charitable Trust, were approximately \$860,000 in 1974. Disbursements are made to United Ways, organizations serving youth, health care agencies, cultural organizations, agencies concerned with urban problems and minorities, and educational institutions. Corporate gifts to colleges, universities and independent secondary schools actually are determined by Textron employees, whose contributions to institutions of their choice are matched dollar for dollar by The Textron Charitable Trust up to \$2,500 per employee annually. In 1974 these matching gifts totaled \$67,000. Further aid to education is provided through the Textron Merit Scholarship Program, granting four-year scholarships to qualifying children of Textron employees. Additional scholarships are made available to minority students.



Miss Noreen Coachman, right, a graduate business student receiving counseling and scholarship assistance from Textron, walks across the campus of Providence College with her counselor, Mrs. Barbara DuBois, of Textron's Speidel Division. Miss Coachman is one of seven students who in 1974 were aided by Textron and its four Rhode Island Divisions, as part of a program to assist minority students by providing academic and vocational guidance as well as financial aid.

People from all over the world attend Textron's management development programs. Of the executives who took part in the two-week seminars last year, 14% were from Textron operations outside the United States. Professor Norman A. Berg, left, one of the group of Harvard Business School faculty members who teach the courses, here talks to a group of international management people attending the program: Jean Franssen of Bridgeport, Belgium; Peter D. Kibble, Sheaffer, Australia; Werner Glauser, RiRi, Switzerland; Michael J. Maddock, Adcock-Shipley, United Kingdom; and Kunihiro Itoh, Max, Japan.



Financial Strength

Textron has for many years followed a conservative approach to financial accounting. This philosophy has lent credence to the quality of reported earnings and balance sheet valuations.

- Depreciation for property, plant and equipment is provided generally by using accelerated methods. Leasehold improvements are written off over the periods of the leases.

- Research and development costs are generally charged to expense as incurred.

- Future income tax benefits recorded on the balance sheet reflect items which have been deducted from income in the financial statements and which will be deductible in computing taxable income in future years. Total future income tax benefits amounted to \$28 million at year-end 1974.

- Investment tax credits are included in income proportionately over the average useful lives of the related assets rather than being included fully in income in the initial year of the capital investment.

Statistical Review

(dollars in thousands except amounts per share)

	1974	1973	1972
Operating Results (as originally reported)			
Net sales	\$2,113,754	\$1,858,402	\$1,678,422
Depreciation and other non-cash charges	51,708	42,177	42,057
Salaries, wages and employee benefits	845,150	731,901	642,000
Income before income taxes	188,254	181,537	147,141
Net income	105,904	100,837	82,141
Net income per common share*	2.83	2.65	2.32
Dividends declared per common share	1.10	.98	.93
Average common shares outstanding*	37,452,923	38,146,253	35,386,274
Financial Position at Year End (as originally reported)			
Working capital	\$551,091	\$464,006	\$430,613
Net property, plant and equipment	275,992	260,552	242,962
Total assets	1,457,901	1,310,368	1,114,576
Long term debt	262,252	225,561	217,100
Shareholders' equity	717,596	669,138	583,292
Book value per common share**	16.85	15.12	13.70
General Statistics (as originally reported)			
Capital expenditures	\$67,642	\$64,505	\$42,769
Research and development expense	39,777	37,540	36,403
Number of employees	68,000	66,000	62,000
Number of securityholders	96,000	93,000	88,000
Operating Results (restated for poolings of interests)			
Net sales	\$2,113,754	\$1,858,402	\$1,678,422
Net income	105,904	100,837	88,623
Net income per common share*	2.83	2.65	2.30

*Based on average shares outstanding during the year, adjusted for stock splits where applicable and assuming full conversion of preferred stock and exercise of warrants and stock options.

**After giving effect to the liquidation value of Textron's \$2.08 preferred stock and conversion of \$1.40 preferred stock, where applicable.

◦ Selected inventories have for many years been priced on a last-in-first-out (LIFO) basis, providing more conservative inventory valuation and improved cash flow. At year-end 1974, such inventories were stated at \$68.7 million less than if valued on the first-in-first-out (FIFO) basis. At the end of 1973 this difference was \$44.5 million.

◦ Textron has consistently provided for anticipated decreases in the value of assets, probable losses on long term contracts, or other adverse situations as soon as any such situation became known.

These policies tend to reduce current income but when applied consistently from year to year, give a realistic statement of Textron's operating results and asset values.

Record Results

Results for 1974 continued to reflect the overall progress of Textron. Sales increased 14% to \$2.1 billion; net income rose 5% to \$106 million. Earnings per share were \$2.83, an increase of 7%. All three were new high levels.

Dividend Policy

Textron's policy is to pay cash dividends on common stock of approximately 40% of established earnings per share, resulting in a steadily increasing dividend rate. The dividend on common stock was again increased during 1974 to an annual rate of \$1.10 per share. This was the 11th increase in 12 years.

1971	1970	1969	1968	1967	1966	1965
\$1,603,713	\$1,611,851	\$1,682,171	\$1,704,097	\$1,445,985	\$1,132,174	\$850,957
41,572	39,965	38,335	37,712	28,104	19,744	15,919
603,000	609,000	658,000	614,000	504,000	407,000	300,000
130,418	124,236	151,672	152,900	117,136	84,713	58,889
71,818	66,736	76,122	73,999	61,526	43,913	29,139
2.06	1.90	2.14	2.10	2.02	1.67	1.22
.90	.90	.85	.75	.65	.55	.46
34,906,300	35,209,688	35,650,355	35,299,938	30,715,114	26,750,942	24,401,080
\$367,312	\$379,053	\$324,256	\$329,129	\$253,988	\$161,965	\$129,454
239,365	242,647	232,963	218,693	169,887	123,219	88,746
973,399	976,085	895,124	891,702	669,657	500,621	374,258
151,569	183,952	135,238	145,586	67,384	59,500	45,590
525,513	503,342	485,258	461,603	368,189	236,194	182,184
12.05	11.22	10.51	9.87	8.14	9.44	8.13
\$36,746	\$41,642	\$48,623	\$47,053	\$41,160	\$38,516	\$22,320
33,068	35,647	35,095	32,526	21,800	19,400	17,400
62,000	64,000	70,000	72,000	62,000	50,000	41,000
87,000	86,000	87,000	83,000	75,000	55,000	55,000
\$1,603,713	\$1,611,851	\$1,682,171	\$1,725,214	\$1,590,157	\$1,416,709	\$1,134,947
77,420	71,528	78,296	77,948	76,818	67,518	55,899
2.03	1.86	2.02	1.98	1.97	1.73	1.42

Long Term Debt

To provide working capital to support the increased level of operations, a \$77.5-million, six-year term loan was arranged with banks in October. Textron's total long term debt at year-end 1974 was 27% of total capitalization. However, the increased level of borrowing, including short term credit requirements, and the prevailing high interest rates resulted in a net interest expense of \$24 million compared to \$15 million in 1973.

Stock Repurchase Program

During 1974 Textron purchased 518,095 Textron common shares at an average cost of \$18.77 per share in a continuing program to acquire treasury shares to be used for issuance upon exercise of stock options and warrants. At year-end, Textron held 1,310,600 treasury common shares, purchased at an average cost of \$24.35 per share.

Shareholder Investment Service

An investment service which allows registered shareholders to purchase Textron stock through reinvestment of dividends and by periodic cash investments was begun on January 1, 1974. Since then, more

than 3,500 have registered under the plan and approximately 43,000 shares have been purchased.

Employees Stock Savings Plan

Established in 1960, the Plan enables eligible employees to purchase Textron common stock through payroll deductions. Up to 10% of base salary may be contributed by a participating employee, with a fifty-percent matching contribution from Textron. All contributions and dividends on Plan shares are used to purchase Textron common shares in the open market.

At year-end there were more than 13,000 participants. The Plan held 4,125,700 shares, representing 14% of Textron's total common stock outstanding.

For further information on Textron, copies will be available of the annual report on Form 10-K filed with the Securities and Exchange Commission, Textron's Financial Data Book, and the annual report of American Research and Development. Any of these reports may be obtained by writing to Textron Corporate Relations Department, 40 Westminster Street, Providence, R.I. 02903.



Engineers at the Bell Aerospace Division participate in a seminar taught by faculty of the State University of New York at Buffalo, as part of a 20-week refresher course.

Textron Inc. Consolidated Statement of Income

Years Ended December 28, 1974 and December 29, 1973

	1974	1973
Net sales	\$2,113,754,000	\$1,858,402,000
Costs and expenses:		
Cost of sales	1,534,362,000	1,333,037,000
Selling and administrative expense	324,724,000	298,263,000
Depreciation	45,639,000	40,895,000
	<u>1,904,725,000</u>	<u>1,672,195,000</u>
	209,029,000	186,207,000
Equity in pretax income of companies not consolidated	<u>3,660,000</u>	<u>10,657,000</u>
Operating income	212,689,000	196,864,000
Interest expense — net	<u>24,435,000</u>	<u>15,327,000</u>
Income before income taxes	188,254,000	181,537,000
Provision for income taxes	<u>82,350,000</u>	<u>80,700,000</u>
Net income	<u>\$ 105,904,000</u>	<u>\$ 100,837,000</u>
Net income per common share*	<u>\$2.83</u>	<u>\$2.65</u>

*Based on average shares outstanding during the year assuming full conversion of preferred stock and exercise of warrants and stock options.

Textron Inc. Consolidated Statement of Retained Earnings

Years Ended December 28, 1974 and December 29, 1973

	1974	1973
Balance at beginning of year	\$ 498,438,000	\$ 440,812,000
Net income	<u>105,904,000</u>	<u>100,837,000</u>
	604,342,000	541,649,000
Cash dividends declared:		
Textron: \$2.08 preferred stock	6,276,000	6,324,000
\$1.40 preferred dividend stock	6,192,000	6,441,000
Common stock (\$1.10 per share in 1974; \$.98 per share in 1973)	<u>32,884,000</u>	<u>28,181,000</u>
	45,352,000	40,946,000
Pooled company prior to acquisition	<u>—</u>	<u>1,582,000</u>
	45,352,000	42,528,000
Charges resulting from issuance of treasury shares upon exercise of stock options and warrants	<u>1,257,000</u>	<u>683,000</u>
	46,609,000	43,211,000
Balance at end of year	<u>\$ 557,733,000</u>	<u>\$ 498,438,000</u>

See notes to financial statements.

Textron Inc. Consolidated Balance Sheet

December 28, 1974

December 29, 1973

Assets

Current assets:

Cash	\$ 39,057,000	\$ 27,668,000
Marketable securities, at cost (which approximates market)	634,000	13,474,000
Accounts receivable (less allowance for losses of \$7,863,000 and \$7,178,000)	346,763,000	313,502,000
Inventories, at lower of cost or market:		
Finished goods	195,154,000	159,114,000
Work in process (less progress payments of \$167,815,000 and \$78,181,000)	236,765,000	191,970,000
Raw materials and supplies	149,349,000	99,550,000
	581,268,000	450,634,000
Future income tax benefits	28,100,000	42,000,000
Prepaid expenses	8,372,000	7,558,000
Total current assets	1,004,194,000	854,836,000
Investments in companies not consolidated, at equity	73,818,000	69,494,000
Investments of ARD, at cost	35,180,000	37,641,000
Property, plant and equipment, at cost:		
Land and buildings	159,813,000	149,443,000
Machinery and equipment	498,753,000	464,721,000
	658,566,000	614,164,000
Less accumulated depreciation	382,574,000	353,612,000
Net property, plant and equipment	275,992,000	260,552,000
Amount paid over value assigned to net assets of companies acquired, less amortization	43,644,000	50,585,000
Patents, at cost less amortization	11,250,000	12,850,000
Other assets	13,823,000	18,520,000
Total assets	\$1,457,901,000	\$1,304,478,000

See notes to financial statements.

December 28, 1974

December 29, 1973

Liabilities and Shareholders' Equity

Current liabilities:

Short term debt	\$ 42,448,000	\$ 47,596,000
Accounts payable	103,750,000	84,830,000
Accrued expenses	116,051,000	116,718,000
Federal income taxes	46,086,000	61,524,000
Dividends payable	11,398,000	10,814,000
Current maturities of long term debt	61,627,000	1,026,000
Other current liabilities	71,743,000	68,322,000
Total current liabilities	453,103,000	390,830,000

Long term debt	262,252,000	225,561,000
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Other liabilities	24,950,000	18,949,000
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Shareholders' equity:

Capital stock:

\$2.08 cumulative convertible preferred, Series A (liquidation value—\$153,340,000)	72,475,000	72,475,000
\$1.40 convertible preferred dividend, Series B ...	57,082,000	57,082,000
Common	7,759,000	7,873,000
Capital surplus	67,095,000	76,704,000
Retained earnings	557,733,000	498,438,000
	762,144,000	712,572,000
Less treasury stock, at cost	44,548,000	43,434,000
Total shareholders' equity	717,596,000	669,138,000
Total liabilities and shareholders' equity ...	\$1,457,901,000	\$1,304,478,000

Textron Inc. Statement of Changes in Shares of Capital Stock

Years Ended December 28, 1974 and December 29, 1973

1974

1973

	Preferred Stock		Common Stock	Preferred Stock		Common Stock
	\$2.08	\$1.40		\$2.08	\$1.40	
Shares issued (in thousands):						
At beginning of year	3,067	4,831	31,490	3,067	4,831	32,877
Retirement of treasury shares	—	—	(455)	—	—	(1,387)
At end of year	<u>3,067</u>	<u>4,831</u>	<u>31,035</u>	<u>3,067</u>	<u>4,831</u>	<u>31,490</u>
Treasury shares (in thousands):						
At beginning of year	37	323	1,313	19	199	2,365
Purchases	24	134	518	18	124	397
Exercise of stock options	—	—	(5)	—	—	(55)
Exercise of warrants	—	—	(60)	—	—	(7)
Retirement of treasury shares	—	—	(455)	—	—	(1,387)
At end of year	<u>61</u>	<u>457</u>	<u>1,311</u>	<u>37</u>	<u>323</u>	<u>1,313</u>
Shares outstanding at end of year (in thousands)	<u>3,006</u>	<u>4,374</u>	<u>29,724</u>	<u>3,030</u>	<u>4,508</u>	<u>30,177</u>

Textron Inc. Consolidated Statement of Capital Surplus

Years Ended December 28, 1974 and December 29, 1973

1974

1973

Balance at beginning of year	\$ 76,704,000	\$121,413,000
Additions:		
Capital in excess of par value of shares issued upon conversion of preferred stock	—	1,000
	<u>76,704,000</u>	<u>121,414,000</u>
Deductions:		
Charge resulting from retirement of treasury shares	9,609,000	44,710,000
Balance at end of year	<u>\$ 67,095,000</u>	<u>\$ 76,704,000</u>

See notes to financial statements.

Textron Inc. Consolidated Statement of Changes in Financial Position

Years Ended December 28, 1974 and December 29, 1973

1974

1973

Sources of working capital:

Net income	\$105,904,000	\$100,837,000
Depreciation and other non-cash charges	51,708,000	42,177,000
Equity in net income of companies not consolidated . .	(4,734,000)	(7,646,000)
Total from operations	152,878,000	135,368,000
Long term borrowings	94,642,000	20,696,000
Property, plant and equipment sold	10,851,000	8,049,000
Proceeds from exercise of options and warrants	605,000	1,142,000
Other	9,976,000	7,545,000
	<u>268,952,000</u>	<u>172,800,000</u>

Uses of working capital:

Additions to property, plant and equipment	67,642,000	64,505,000
Dividends	45,352,000	40,946,000
Reduction of long term debt	58,635,000	11,522,000
Purchase of treasury shares	12,699,000	12,826,000
Investments in non-consolidated subsidiaries	—	7,772,000
Increase (decrease) in ARD investments — net	(2,461,000)	1,836,000
	<u>181,867,000</u>	<u>139,407,000</u>
Increase in working capital during the year	87,085,000	33,393,000
Working capital at beginning of year	464,006,000	430,613,000
Working capital at end of year	<u>\$551,091,000</u>	<u>\$464,006,000</u>

Working capital changes — increase (decrease):

Cash and marketable securities	\$ (1,451,000)	\$ (31,569,000)
Accounts receivable	33,261,000	58,136,000
Inventories	130,634,000	84,472,000
Future income tax benefits	(13,900,000)	7,000,000
Short term debt and current maturities of long term debt	(55,453,000)	(42,057,000)
Accounts payable, accrued expenses and dividends payable	(18,837,000)	(39,996,000)
Federal income taxes	15,438,000	(243,000)
Other — net	(2,607,000)	(2,350,000)
	<u>\$ 87,085,000</u>	<u>\$ 33,393,000</u>

See notes to financial statements.

Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Textron Inc. and all wholly-owned subsidiaries except for an insurance group (see note 10) and a finance company, and a fifty-percent-owned foreign company, all of which are accounted for on the equity basis. Intercompany balances and transactions of the consolidated subsidiaries are eliminated in preparing the consolidated statements.

Translation of Foreign Currencies

Current assets and liabilities stated in foreign currencies are translated into United States dollars at rates of exchange in effect at the balance sheet dates. Long term assets and liabilities are translated at rates prevailing at dates when acquired or incurred. Income and expenses (other than depreciation and amortization, which are translated at historical rates) are translated at average rates prevailing during the year.

Net realized gains and losses on foreign exchange are included in income (losses of \$260,000 in 1974 and gains of \$1,491,000 in 1973). In 1973, net unrealized gains aggregating \$5,539,000 were used to establish a reserve for future exchange losses. In 1974, net unrealized losses of \$5,208,000 were charged to this reserve.

Long term debt due in foreign currencies, if translated at rates in effect at December 28, 1974 and December 29, 1973 would have increased \$11,100,000 and \$2,196,000, respectively.

Inventories

Inventories aggregating \$474,058,000 at December 28, 1974 and \$380,435,000 at December 29, 1973 were valued at the lowest of cost (generally first-in, first-out (FIFO) or average), replacement market, or estimated realizable value after allowance for selling and administrative expenses. The remaining inventories, aggregating \$107,210,000 at December 28, 1974 and \$70,199,000 at December 29, 1973, were valued at cost on the last-in, first-out (LIFO) basis (which was not in excess of market). If such LIFO inventories had been valued on a FIFO basis they would have been approximately \$68,677,000 and \$44,542,000 higher at those respective dates.

Property, Plant and Equipment

Depreciation is provided at annual rates based on the estimated useful lives of the assets. Depreciation on additions of new property, plant and equipment is computed generally using accelerated methods.

Depreciation calculated on this basis amounted to \$32,986,000 in 1974 and \$28,185,000 in 1973. The balance of 1974 and 1973 depreciation was calculated on the straight line basis. Leasehold improvements are being written off over the period of the leases.

Amount Paid Over Value Assigned to Net Assets of Companies Acquired

This amount is being amortized on the straight-line method over 10 to 40 years.

Patents

Patents are amortized on the straight-line method over the period to expiration.

Government Contracts

Contracts currently in progress include firm fixed price, fixed price target incentive, cost plus fixed fee, and cost plus incentive fee. Sales are recorded for fixed price contracts as deliveries are made. Sales are recorded on cost plus contracts as work is performed and billed. Costs are accumulated by contract or groups of similar contracts and charged to cost of sales at rates based on periodic reviews of the relationship between the total estimated costs and sales. Provisions are made for prospective losses and anticipated cost overruns as the facts become known.

Research and Development

Research and development is charged to income as incurred except for minor amounts which have been charged to reserves previously provided. The amounts charged to income in 1974 and 1973 totaled \$39,777,000 and \$37,540,000, respectively.

Income Taxes

Taxes are provided on income as reported in the financial statements regardless of the period in which such income is reflected for tax purposes. As a result, future income tax benefits have been reflected in the balance sheet principally for valuation reserves and accrued expenses which have been deducted from income but are not yet available as tax deductions.

Investment credits are included in income over the average useful lives of the assets purchased or leased.

Details of the provision for income taxes are:

	1974	1973
Federal:		
Current	\$53,492,000	\$72,442,000
Future benefits	13,000,000	(5,000,000)
	66,492,000	67,442,000
State	7,856,000	6,800,000
Foreign.....	8,002,000	6,458,000
Total.....	\$82,350,000	\$80,700,000

Total income tax expense was \$8,012,000 and \$6,437,000 less in 1974 and 1973, respectively, than the amount computed by applying the Federal income tax rate of 48% to income before income taxes. This condition was caused primarily by (1) the use of DISC corporations to lower taxes on exports (\$4,814,000 in 1974 and \$2,826,000 in 1973), (2) the amortization of investment tax credits (\$1,889,000 in 1974 and \$1,585,000 in 1973), (3) the 85% dividends received exclusion and tax exempt interest on bonds (\$2,226,000 in 1974 and \$1,556,000 in 1973),

(4) the application of capital gains rates to net capital gains (\$1,265,000 in 1974 and \$1,321,000 in 1973), offset by (5) the impact of state income taxes, net of related Federal income tax benefit, and lower foreign tax rates (\$4,266,000 in 1974 and \$1,878,000 in 1973).

Pension Costs

Textron has a number of pension plans covering 95% of its employees. The policy is to fund pension costs accrued. The total pension expense charged to income was approximately \$28,000,000 and \$23,000,000 in 1974 and 1973, respectively, which included amortization of unfunded prior service costs over periods ranging from 10 to 40 years. The unfunded past service costs were estimated at \$128,000,000 at December 28, 1974 and \$119,000,000 at December 29, 1973. In the aggregate for all plans, the actuarially determined present value of vested benefits exceeded the market value of fund assets and balance sheet accruals by \$52,908,000. It is not anticipated that compliance with the Pension Reform Act of 1974 will materially affect future annual pension expense.

2. Mergers and Acquisitions

On July 6, 1973 The Security Corporation, the parent of five casualty insurance companies (see Note 10), was acquired in exchange for 3,228,080 shares of Textron common stock in a transaction accounted for as a pooling of interests. Unrealized gains net of applicable income taxes and unrealized losses on

Security's investment portfolio, which are reflected in Security's shareholder's equity, have been eliminated in recording Textron's equity. Such amounts eliminated were a loss of \$14,896,000 at December 28, 1974 and a net gain of \$3,008,000 at December 29, 1973.

3. American Research and Development

Investments of Textron's American Research and Development Division (ARD) are principally in venture capital businesses which Textron does not manage. Approximately 75% of the December 28, 1974 portfolio cost represents investments in companies which are less than 20% owned.

The cost of ARD's investments held at the date of acquisition by Textron (May 18, 1972) represents the allocated portion of the ARD purchase price paid by Textron. A valuation reserve applicable to the permanent difference between the tax basis of the investments and the allocated basis was recorded at the acquisition date and classified as

"other liabilities". In 1974, Textron has retroactively reclassified this valuation reserve to the investments account.

Textron estimates that approximately 40% of the portfolio cost at December 28, 1974 represents securities which could not be readily sold because of restrictions on resale or lack of public trading markets. Textron appraises its investments in portfolio companies from a long term viewpoint and does not consider that current economic and stock market conditions reflected in the portfolio value at December 28, 1974 require any reduction of the portfolio cost when considered in the aggregate.

ARD portfolio costs, values and income are as follows:

	1974	1973
Portfolio cost:		
Balance at beginning of year		
as previously reported	\$43,531,000	\$41,683,000
Reclassification described above	(5,890,000)	(5,878,000)
Balance at beginning of year as restated	37,641,000	35,805,000
Investment additions	539,000	2,997,000
Investment reductions	(3,000,000)	(1,161,000)
Balance at end of year	<u>\$35,180,000</u>	<u>\$37,641,000</u>
Portfolio value at end of year (as determined by management based on market prices where available)	<u>\$26,778,000</u>	<u>\$44,570,000</u>
Portfolio income:		
Dividends and interest	\$ 391,000	\$ 426,000
Realized gains (losses)	(375,000)	314,000
	<u>\$ 16,000</u>	<u>\$ 740,000</u>

4. Short Term Debt and Lines of Credit

Short term debt includes notes payable to banks, commercial paper and foreign overdrafts. The average interest rate on this debt was 11.03% at December 28, 1974 and 9.02% at December 29, 1973. The average interest rate for the year on all short term debt was 10.85% for 1974 and 8.50% for 1973. Unused lines of credit under bank agreements, generally subject to cancellation at the banks'

option, were \$57,000,000 at December 28, 1974 and \$41,100,000 at December 29, 1973. The short term bank agreements at year end had no restrictive covenants and were not subject to any written or oral compensating balance arrangements. However, operating cash accounts are maintained in the banks involved.

5. Long Term Debt

Exclusive of amounts due within one year, this debt consisted of:

	December 28, 1974	December 29, 1973
Notes payable to banks due in installments from 1977 to 1980 (interest at one half of one percent above the prime rate — 10¼% at December 28, 1974) . . .	\$ 77,500,000	\$ —
8.60% Notes due 1975	—	50,000,000
7¾% Eurodollar Sinking Fund Debentures due 1987	30,000,000	30,000,000
7½% Sinking Fund Debentures due 1997	50,000,000	50,000,000
Swiss Franc Notes due 1976 and 1978 (interest at 6¾% to 10½%)	33,039,000	16,474,000
6¾% Dutch Guilder Notes due 1976 to 1979	9,285,000	9,285,000
6% Convertible Notes due 1982	5,906,000	6,250,000
5⅞% Sinking Fund Debentures due 1992	38,502,000	38,502,000
5% Subordinated Debentures due 1984	5,837,000	6,528,000
Other notes (5% to 17¼%)	12,183,000	18,522,000
	<u>\$262,252,000</u>	<u>\$225,561,000</u>

In conjunction with the \$77,500,000 term loan, Textron has agreed informally to maintain compensating balances equal to approximately 15% of the loan. In addition, the loan agreements contain certain restrictions relating to working capital and levels of liabilities and certain investments in relation to tangible net worth.

The indentures relating to the 5% and 5⅞% Debentures contain restrictions on payment of cash dividends and the acquisition of treasury stock. Under the most restrictive of these provisions, none

of the retained earnings was restricted at December 28, 1974 or at December 29, 1973.

Sinking fund requirements for the debentures are: 7¾% Debentures-\$1,200,000, annually 1978-1981 and increasing amounts thereafter; 7½% Debentures-\$2,500,000, annually 1978-1996; 5⅞% Debentures-\$2,250,000, annually 1978-1991; 5% Debentures-\$100,000 and proceeds from warrants, quarterly.

At December 28, 1974 the amount of long term debt payable in 1976 is \$21,882,000; in 1977, \$24,481,000; in 1978, \$46,943,000; and in 1979, \$29,212,000.

6. Leases

Textron leases automobiles and trucks, data processing equipment and certain of its land and buildings. Rental expense amounted to \$22,285,000 in

1974 and \$18,728,000 in 1973. Minimum rentals under noncancelable leases for future years follow.

	Real Estate	Data Processing	Automobiles and Trucks	Other Leases	Total
1975	\$ 7,111,000	\$1,543,000	\$ 743,000	\$135,000	\$ 9,532,000
1976	6,245,000	1,055,000	592,000	30,000	7,922,000
1977	4,799,000	1,012,000	539,000	14,000	6,364,000
1978	4,151,000	792,000	520,000	5,000	5,468,000
1979	3,467,000	424,000	353,000	5,000	4,249,000
1980 to expiration	14,708,000	259,000	—	4,000	14,971,000
	<u>\$40,481,000</u>	<u>\$5,085,000</u>	<u>\$2,747,000</u>	<u>\$193,000</u>	<u>\$48,506,000</u>

7. Capital Stock

Authorized capital stock consists of 15,000,000 no par shares of preferred stock issuable in series and 75,000,000 shares of common stock, 25¢ par value.

Each share of the \$2.08 preferred stock (\$23.63 approximate stated value) is convertible into 1.1 shares of common stock and redeemable by the Company at prices ranging from \$53 in 1975 to \$50 in 1978 and thereafter. The \$2.08 preferred stock may be redeemed only in its entirety through 1977 and thereafter in any amount. In the event of involuntary liquidation, the stock is entitled to \$50 per share and accrued dividends. In the event of volun-

tary liquidation, each share is entitled to an amount equal to the prevailing redemption price.

Each share of \$1.40 preferred dividend stock (\$11.82 approximate stated value) is convertible into .9 share of common stock and redeemable by the Company at \$45 per share. In the event of liquidation, holders of each share of \$1.40 preferred dividend stock would receive accrued dividends and thereafter share ratably on a converted basis with holders of common stock, subject to prior rights of the \$2.08 preferred stock.

Shares of common stock were reserved for conversion of preferred stock and notes and exercise of warrants and options at December 28, 1974 as follows:

\$2.08 Cumulative Convertible Preferred Stock, Series A	3,373,483
\$1.40 Convertible Preferred Dividend Stock, Series B (preferred only as to dividends)	4,348,016
Conversion of 6% Convertible Notes	151,200
Warrants (exercisable at \$10.00 per share until May 1, 1979 and \$11.25 per share until expiration on May 1, 1984)	181,320
Options granted to employees	987,781
	<u>9,041,800</u>

8. Stock Options

Under the Stock Option Plan approved by shareholders in 1969, options for a maximum of 1,000,000 shares of common stock may be issued at prices not less than the fair market value at the date of grant. Options cannot be exercised for a period of 24 months after grant and may be made exercisable thereafter in cumulative installments of not more than 35% in each of the third and fourth years of the options and the balance in the fifth year. No option may be exercised later than five years from the date of grant.

At December 28, 1974 options for 237,635 shares (310,965 shares at December 29, 1973) of common stock were exercisable and 31,320 shares (149,875

shares at December 29, 1973) of common stock were available for the granting of future options.

Upon acquisition of The Security Corporation, Textron substituted options on shares of its stock for the outstanding options of Security. In 1974, options for 5,790 shares were exercised at \$13.00 and in 1973, options for 50,403 shares were exercised at prices ranging from \$10.00 to \$20.63. Options for 55,766 and 61,556 shares of Common Stock at prices ranging from \$13.00 to \$19.00 were outstanding at December 28, 1974 and December 29, 1973, respectively. At those dates all of these options were exercisable.

A summary of shares subject to options under the Textron Plan during 1973 and 1974 is shown below:

	Price per Share	Shares
Balance—December 30, 1972.....	\$21.00 to \$35.69	559,515
Add: Options granted.....	18.25 to 26.25	312,950
Deduct:		
Options exercised	23.32 to 24.25	4,855
Options cancelled	18.25 to 32.31	54,150
Balance—December 29, 1973.....	18.25 to 35.69	813,460
Add: Options granted.....	13.50 to 20.50	329,900
Deduct:		
Options exercised	—	—
Options cancelled	16.44 to 33.75	211,345
Balance—December 28, 1974.....	\$13.94 to \$35.69	932,015

9. Contingencies

Approximately 15% and 18% of sales for 1974 and 1973, respectively, were made directly or indirectly to the United States Government. These sales and sales made to the United States Government in 1972

and 1971 are subject to renegotiation. Textron is of the opinion that refunds, if any, for these years will not materially affect its financial position or results of operations.

10. The Security Corporation Financial Statements

Condensed consolidated financial statements for The Security Corporation and its five casualty insurance subsidiaries follow. These statements

include the group's participation in several independent underwriting associations for which the 1974 audits have not been completed at this date.

Condensed Consolidated Statement of Income		
	1974	1973
Premiums earned.....	\$ 86,128,000	\$ 79,084,000
Losses and loss expenses	(70,281,000)	(54,913,000)
Underwriting expenses	(29,603,000)	(27,662,000)
Underwriting losses	(13,756,000)	(3,491,000)
Net investment income.....	9,047,000	7,848,000
Operating income (loss) before income taxes	(4,709,000)	4,357,000
Income tax benefits (provision)	4,373,000	(551,000)
Income (loss) before realized investment gains	(336,000)	3,806,000
Net realized investment gains net of income taxes ..	3,118,000	2,338,000
Net income	\$ 2,782,000	\$ 6,144,000
Condensed Consolidated Balance Sheet		
	December 31, 1974	December 31, 1973
Cash	\$ 746,000	\$ 1,802,000
Bonds at amortized cost (market value \$85,887,000 and \$84,160,000, respectively)	93,267,000	88,305,000
Preferred and common stocks at market (cost \$39,262,000 and \$38,741,000, respectively)	26,300,000	44,162,000
Premiums receivable	16,556,000	13,284,000
Deferred acquisition costs	10,800,000	9,418,000
Other assets	23,471,000	19,630,000
	<u>\$171,140,000</u>	<u>\$176,601,000</u>
Unearned premiums	\$ 42,444,000	\$ 38,357,000
Losses and loss expenses	74,765,000	70,575,000
Deferred federal income taxes	5,601,000	5,813,000
Other liabilities	11,612,000	10,016,000
	<u>134,422,000</u>	<u>124,761,000</u>
Shareholder's equity	36,718,000	51,840,000
	<u>\$171,140,000</u>	<u>\$176,601,000</u>
Condensed Consolidated Statement of Changes in Financial Position		
	1974	1973
Funds provided:		
Net income	\$ 2,782,000	\$ 6,144,000
Change in non-cash charges (credits):		
Losses and loss expenses	4,190,000	(2,603,000)
Premiums receivable	(3,272,000)	1,231,000
Unearned premiums	4,087,000	(713,000)
Deferred acquisition costs	(1,382,000)	129,000
Deferred income taxes	688,000	85,000
Other, net.	964,000	24,000
Less realized (gains) on sale of investments net of applicable tax	(3,118,000)	(2,338,000)
Total from operations.....	4,939,000	1,959,000
Proceeds from sale of investments net of applicable tax	30,032,000	15,109,000
Capital contribution—Texttron Inc.	—	5,000,000
	<u>34,971,000</u>	<u>22,068,000</u>
Funds used:		
Purchase of investments.....	32,271,000	19,600,000
Dividends.....	—	1,582,000
Advances to associations	425,000	2,107,000
Other—net.	3,331,000	2,057,000
	<u>36,027,000</u>	<u>25,346,000</u>
Net decrease in cash	\$ 1,056,000	\$ 3,278,000

Accounting Policies for The Security Corporation

The financial statements have been prepared on the basis of generally accepted accounting principles. Significant accounting policies are as follows:

Investments

Bonds eligible for amortization are stated at amortized cost. All other bonds and stocks are carried at values adopted by the National Association of Insurance Commissioners which approximate year-end market value. Realized gains and losses on sales of investments are reflected in the income statement net of applicable income taxes. Unrealized gains or losses net of applicable deferred income taxes are reflected in shareholder's equity (losses of \$14,896,000 at December 31, 1974 and net gains of \$3,008,000 at December 31, 1973).

Premium Income

Premiums written are earned on a monthly pro rata basis over the policy lives. Acquisition costs, princi-

pally commissions and premium taxes incurred at policy issuance, are deferred and amortized over the period of premium recognition. These costs are deducted as incurred for federal income tax purposes and deferred income taxes are provided.

Losses and Loss Expenses

Unpaid losses and loss expenses are estimates of losses on individual cases which have been reported to Security and estimates of losses on cases which have occurred but have not been reported to Security.

Federal Income Taxes

Security is included in Textron's consolidated Federal income tax return. Effective income tax rates differ from statutory rates primarily due to the 85% dividends received exclusion and the tax exempt interest on certain bonds.

Report of Certified Public Accountants

ARTHUR YOUNG & COMPANY

277 Park Avenue
New York, N.Y. 10017

The Board of Directors and Shareholders
Textron Inc.

We have examined the accompanying consolidated balance sheet of Textron Inc. at December 28, 1974 and December 29, 1973 and the related consolidated statements of income, retained earnings, capital surplus, changes in shares of capital stock and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Textron Inc. at December 28, 1974 and December 29, 1973 and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

February 14, 1975

Arthur Young & Company

Textron Inc. Supplementary Financial Information

The following information is provided to add further support and lend perspective to the financial statements and is in response to requirements of the Securities and Exchange Commission.

Discussion and Analysis of the Consolidated Statement of Income

1974 as compared to 1973

Net Sales increased 14% over 1973 as a result of gains in all four manufacturing product groups. The largest percentage increases were recorded by the Industrial and Metal Product Groups. Within the Industrial Group, shipments of bearings, diesel engine castings and chemical products were especially strong. Volume of the Metal Product Group's engineered fasteners and capital equipment Divisions substantially exceeded sales in 1973.

The growth in Aerospace sales was derived largely from a sales increase of 25% for Bell Helicopter. This increase was realized from expanded volume

in commercial and international markets which more than offset declining U.S. military sales. Consumer sales were ahead of 1973, reflecting stronger performance in chain saws, writing instruments and watchbands. A weak market for zippers and snowmobiles slowed the otherwise favorable sales growth of the Group.

The 1974 percentage increase in cost of sales was slightly higher than the comparable increase in sales, reflecting cost increases which were not immediately or completely compensated for in price increases.

Higher depreciation expense in 1974 of \$4,744,000 was directly related to higher levels of capital expenditures in 1974 and 1973.

The significantly lower equity in pretax income of companies not consolidated in 1974 compared to 1973 is attributable to the greater underwriting losses of the Security insurance companies. Increased underwriting losses during 1974 have been a common problem in the fire and casualty insurance industry. Extraordinary tornado disasters

Textron Inc. Consolidated Statement of Income — Five Years

<i>(dollars in thousands except amounts per share)</i>	1974	1973	1972*	1971*	1970*
Net sales	\$2,113,754	\$1,858,402	\$1,678,422	\$1,603,713	\$1,611,851
Costs and expenses:					
Cost of sales	1,534,362	1,333,037	1,209,012	1,171,429	1,200,374
Selling and administrative expense	324,724	298,263	268,218	245,972	234,026
Depreciation	45,639	40,895	38,826	39,009	36,394
	<u>1,904,725</u>	<u>1,672,195</u>	<u>1,516,056</u>	<u>1,456,410</u>	<u>1,470,794</u>
	209,029	186,207	162,366	147,303	141,057
Equity in pretax income of companies not consolidated ..	<u>3,660</u>	<u>10,657</u>	<u>9,978</u>	<u>8,459</u>	<u>7,307</u>
Operating income	<u>212,689</u>	<u>196,864</u>	<u>172,344</u>	<u>155,762</u>	<u>148,364</u>
Interest expense — net	24,435	15,327	10,571	11,072	11,719
Income before income taxes	<u>188,254</u>	<u>181,537</u>	<u>161,773</u>	<u>144,690</u>	<u>136,645</u>
Provision for income taxes	82,350	80,700	73,150	67,270	65,117
Net income	<u>\$ 105,904</u>	<u>\$ 100,837</u>	<u>\$ 88,623</u>	<u>\$ 77,420</u>	<u>\$ 71,528</u>
Net income per common share**	<u>\$2.83</u>	<u>\$2.65</u>	<u>\$2.30</u>	<u>\$2.03</u>	<u>\$1.86</u>

* Restated for pooling of interests and reclassified to conform to 1974 and 1973 presentation.

** Based on average shares outstanding during the year, assuming full conversion of preferred stock and exercise of warrants and stock options.

occurred and costs associated with claims rose more rapidly than the national rate of inflation.

Interest expense for 1974 increased \$9,108,000 or 59%. This increase was attributable to the use of short term debt at higher interest rates to finance working capital demands.

1973 as compared to 1972

An increase in net sales from 1972 to 1973 was recorded in all product groups except Aerospace. The Metal Product Group registered the largest percentage gain, reflecting increased demand for machine tools and for specialized fastener products, especially for the automotive industry. Substantial gains were also registered in the Industrial Group as a result of higher demand for precision bearings. In the Consumer Group all Divisions contributed to the increase except Talon and Polaris. Level sales in

Aerospace reflected the phaseout of military contracts and transition to commercial and international production.

Cost of sales increased 10% from 1972 to 1973, generally in proportion to sales increases, as price controls limited both price and cost increases.

Although 1973 selling and administrative expense increased 11% over 1972, the ratio of these expenses to net sales was comparable to 1972.

The increase in interest expense in 1973 compared to 1972 primarily reflected increased interest due to the issuance of approximately \$90 million of long term debt in the second half of 1972. This debt was used for working capital, for repayment of existing long term indebtedness and for acquisitions.

The provision for income taxes in 1973 increased over 1972 at a rate corresponding to the improvement in income before taxes. See Note 1 to Textron's Consolidated Financial Statements for additional information concerning income taxes.

Sales and Income by Product Group

<i>(dollars in millions)</i>	1974	1973	1972*	1971*	1970*
Net sales					
Aerospace	\$ 582 (28%)	\$ 499 (27%)	\$ 506 (30%)	\$ 557 (35%)	\$ 622 (38%)
Consumer	642 (30%)	614 (33%)	557 (33%)	499 (31%)	432 (27%)
Industrial	470 (22%)	392 (21%)	336 (20%)	311 (19%)	319 (20%)
Metal Product	420 (20%)	353 (19%)	279 (17%)	237 (15%)	239 (15%)
Total	<u>\$2,114 (100%)</u>	<u>\$1,858 (100%)</u>	<u>\$1,678 (100%)</u>	<u>\$1,604 (100%)</u>	<u>\$1,612 (100%)</u>
Income before income taxes					
Aerospace	\$ 47 (25%)	\$ 41 (22%)	\$ 48 (29%)	\$ 44 (30%)	\$ 44 (33%)
Consumer	53 (28%)	56 (31%)	69 (43%)	65 (46%)	53 (39%)
Industrial	38 (20%)	39 (21%)	20 (12%)	14 (10%)	17 (12%)
Metal Product	51 (28%)	38 (21%)	16 (10%)	13 (9%)	16 (11%)
Creative Capital	(1) ((1%))	8 (5%)	9 (6%)	8 (5%)	7 (5%)
Total	<u>\$ 188 (100%)</u>	<u>\$ 182 (100%)</u>	<u>\$ 162 (100%)</u>	<u>\$ 144 (100%)</u>	<u>\$ 137 (100%)</u>
Net income					
Aerospace	\$ 29 (27%)	\$ 24 (23%)	\$ 27 (31%)	\$ 24 (31%)	\$ 24 (33%)
Consumer	28 (26%)	29 (29%)	36 (41%)	34 (44%)	27 (37%)
Industrial	20 (19%)	21 (21%)	10 (11%)	7 (9%)	8 (12%)
Metal Product	27 (26%)	20 (20%)	9 (10%)	7 (9%)	8 (11%)
Creative Capital	2 (2%)	7 (7%)	7 (7%)	5 (7%)	5 (7%)
Total	<u>\$ 106 (100%)</u>	<u>\$ 101 (100%)</u>	<u>\$ 89 (100%)</u>	<u>\$ 77 (100%)</u>	<u>\$ 72 (100%)</u>

* Restated for pooling of interests and reclassified to conform to 1974 and 1973 presentation.

Textron Inc. Consolidated Statement of Income — Fourth Quarter (unaudited)

(dollars in thousands except amounts per share)

Fourth Quarter 1974

Fourth Quarter 1973

Net sales	\$565,293	\$499,251
Costs and expenses:		
Cost of sales	406,488	356,005
Selling and administrative expense	82,338	79,157
Depreciation	11,738	9,604
	<u>500,564</u>	<u>444,766</u>
	64,729	54,485
Equity in pretax income (loss) of companies not consolidated	(3,672)	2,469
Operating income	61,057	56,954
Interest expense — net	8,302	5,886
Income before income taxes	52,755	51,068
Provision for income taxes	22,850	21,820
Net income	<u>\$ 29,905</u>	<u>\$ 29,248</u>
Net income per common share*	<u>\$.80</u>	<u>\$.78</u>

*Based on average shares outstanding during the year assuming full conversion of preferred stock and exercise of warrants and stock options.

Textron Inc. Stock Information

	Price Range						Dividends per Share		
	Preferred Stock				Common Stock		Preferred Stock		Common Stock
	\$2.08		\$1.40				\$2.08	\$1.40	
	High	Low	High	Low	High	Low			
1973									
1st Quarter	\$44½	\$34	\$34¼	\$24¾	\$34¾	\$21¾	\$.52	\$.35	\$.24
2nd Quarter.....	35½	28¼	25¾	20	24½	17¾	.52	.35	.24
3rd Quarter	35¼	28¾	27¼	19⅝	26⅛	16½	.52	.35	.25
4th Quarter	36	27½	27¼	18½	27¼	18½	.52	.35	.25
							<u>\$2.08</u>	<u>\$1.40</u>	<u>\$.98</u>
1974									
1st Quarter	\$32	\$27⅝	\$23⅞	\$21	\$22⅞	\$19⅛	\$.52	\$.35	\$.275
2nd Quarter.....	29½	23	23½	16¾	22⅝	16¾	.52	.35	.275
3rd Quarter	25⅝	19	18	14	18	11¾	.52	.35	.275
4th Quarter	23½	19¾	16¼	14¼	15⅞	12⅛	.52	.35	.275
							<u>\$2.08</u>	<u>\$1.40</u>	<u>\$1.10</u>

Stock Exchanges

Textron stock is traded on the New York, Pacific Coast, and Midwest stock exchanges.

Transfer Agent and Registrar

Rhode Island Hospital Trust National Bank,
Providence, Rhode Island 02903

Textron Inc.

Board of Directors

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President
I. F. Consulenza Investimenti e Finanza S.p.A.
Milan, Italy

Alistair M. Campbell
Chairman
Sun Life Assurance Company of Canada
Montreal, Canada

Joseph B. Collinson
President
Textron Inc., Providence, R.I.

Edwin J. Ducayet
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Bell Helicopter Division of Textron
Fort Worth, Tex.

Paul M. Fye
President
Woods Hole Oceanographic Institution
Woods Hole, Mass.

Harvey Gaylord
Executive Vice President, Retired
Textron Inc.
Old Black Point, Conn.

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Textron Inc., Providence, R.I.

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Stony Brook, N.Y.

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Chairman

Joseph B. Collinson
President

Erskine N. White, Jr.
Executive Vice President—Operations

Robert S. Ames
Senior Vice President—Operations

John B. Henderson
Senior Vice President—Policy Planning

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Vice President—Administration and Secretary

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Vice President—Finance

Chandler J. Moisen
Vice President and Treasurer

Louis G. Peloubet
Vice President and Controller

Thomas D. Soutter
Vice President and General Counsel

"A Company to Think About" is the theme of Textron's present corporate advertising program. Appearing in business publications, the advertisements are part of Textron's effort to become better understood through its well-known Divisions and products. The program cost approximately \$500,000 in 1974. Photographs and copy from four recent advertisements are shown here.



When you're fighting cold's miseries, think of Textron. Why? Because the staple gun and staples you're using to batten down the attic — to cut fuel bills and save energy — come from Textron's Bostitch Division.

Think about it. Textron is Bostitch staplers. And Fafnir bearings. And Eaton fine papers.

And the one thing they all have in common is the uncommon products they are.

Textron
A COMPANY TO THINK ABOUT.



Next time it's dinner à deux, think of Textron.

Why? Because whenever it's a special evening, the table is very likely to be set with shining examples from Textron's Gorham Division — pewter originals or elegant silver designs. Along with pieces from Gorham's new lines of fine china and crystal.



Next time you're really cutting up, think of Textron.

Why? Because that never-tiring, lightweight and versatile chain saw you see chewing away at the chores comes from Textron's Homelite Division — the world's largest manufacturer of chain saws.



Next time you're watch watching, think of Textron.

Why? Because the band that's holding your watch is likely to be from Textron's Speidel Division. Probably Speidel's leading design, the Twist-O-Flex® watchband.

Textron Divisions, Products and Activities

Aerospace

Bell Aerospace

William G. Gisel, *President* Rocket engines, missile and spacecraft propulsion systems, rocket propellant tanks, aircraft landing systems, inertial instruments, fire control systems, air cushion landing gear, air cushion vehicles, surface effect ships.

Dalmo Victor

John H. Pamperin, *President* Electromagnetic defense systems, aerospace antennas, electro-optics; *Oregon Technical Products*, rail and transit products, electro-mechanical aircraft accessories.

Bell Helicopter

James F. Atkins, *President* Military and commercial helicopters and vertical lift aircraft, systems integration.

Consumer

Eaton Paper

Burton S. Massie, *President* Social stationery, gift accessories, At-A-Glance personal record and appointment books, calendars, Berkshire typewriter paper, puzzles, Correcto Fluid and Correcto Tapes; *Camp*, packaged stationery and school supplies; *Ellingsworth*, Duo-Tang report folders.

Gorham

Walter J. Robbie, *President* Sterling silver, pewter, and stainless steel flatware; sterling, pewter and silver-plated holloware; giftware, fine china and crystal, bronze memorials.

Hall Mack

G. William Harrison, *President* Decorative bath accessories for homes and apartments, safety hardware for hospitals, institutions and public buildings.

Homelite

Richard C. McDonald, *President* Chain saws, pumps, generators, lawn and garden equipment, portable space heaters; *Terry Industries* (Canada), chain saws, pumps, generators, lawn and garden equipment.

Maico

John J. Kojis, *President* Electronic hearing aids, audiometers.

Polaris

Beverly F. Dolan, *President* Snowmobiles and accessories; E-Z-Go, golf cars.

Sheaffer Pen

Louis S. Bishop, *President* Writing instruments, desk sets, writing instrument accessories.

Electronic Research Company

H. M. Danzig, *President* Digital watch modules, instruments and controls, frequency synthesizers, quartz crystals, crystal filters and frequency oscillators.

Hydraulic Research and Manufacturing

Samuel X. Garcia, *President* Electro-hydraulic servo valves, propellant valves, servo control systems, fuel system control valves and measurement devices, pressure regulators and vessels, fire suppression systems, filter elements and assemblies for hydraulic, fuel and air systems.

Shuron Continental

John A. Keenan, *Chairman* Eyeglass frames, lenses, optical machinery.

Speidel

Robert S. Kennedy, *President* Watchbands, identification bracelets, jewelry chain, British Sterling men's toiletries.

Talon

Herbert C. Graves, *President* Zippers and other sewing notions; *Donahue Sales*, retail distributor of Talon zippers and other sewing notions; *Lightning* (Canada), zippers, thread, buttons; *Universal*, buttons, snap fasteners, hooks and eyes; *RiRi* (Europe), *Aero Zipp* (Europe), *Aero Slide* (Australia), zippers.

Valentine Holdings (Australia)

Michael J. Eyres, *Managing Director* Greeting cards and social communication products, giftware, security and color printing, business forms, computer and phototypesetting services.

Welsh

Glenford M. Shibley, *President* Personal safety products and equipment, including eye, hearing, respiratory and head protection, first aid kits, sound level and gas detection instruments.

Wernicke (Germany)

Dr. Hans-Joachim Strunck, *Chairman* Special optical equipment for lens edging.

Industrial

Burkart/Randall

Lawrence T. Hickey, *President* *Burkart*, polyurethane foam, natural and synthetic fiber cushioning and insulating materials; *Randall*, automobile, truck and appliance trim and accessory parts, tubular products, molded plastic products.

Campbell, Wyant and Cannon

Richard L. Lindland, *Chairman*

John M. Kloap, *President* Grey, alloyed and ductile iron castings for engine blocks, cylinder heads, camshafts, gears, manifolds, housings and other parts.

Fafnir

Franklin S. Atwater, *President* Precision ball, roller and sliding bearings and bearing assemblies for original equipment and the replacement market, emphasizing aerospace, business machine, construction, farm equipment and machine tool industries.

Metal Product

Adcock-Shipley (United Kingdom)

Arthur Aldridge, *Managing Director* Horizontal and vertical milling machines, plastic components.

Bostitch

M. Claude Schuler, *Chairman*

Gerald H. Keltz, *President* Stapling, nailing and wire-stitching machines and fasteners for industrial fastening, packaging and construction; powder-actuated tools and fasteners; office and home staplers, tackers; Bluemark desk-top card files.

Bridgeport Machines

France Q. Wilson, *President* Vertical milling machines, grinders, True-Trace electronic and hydraulic machine tool control systems; *Bridgeport Controls*, numerical control systems for machine tools.

Camcar

Ray H. Carlson, *President* Raycarl cold headed metal parts, proprietary and special fasteners for aerospace, automotive and appliance industries.

Creative Capital

American Research and Development

Charles J. Coulter, *President* Investments in enterprises covering a wide range of industries and services. Particular emphasis on developing enterprises stressing advanced products and proprietary ideas. Current areas of investment include environmental products and services, medical and health sciences, consumer products, agribusiness, and innovative advanced technological products.

Spencer Kellogg

George A. O'Hare, *President* Chemical products, including vegetable and marine oil resins, polyurethanes, and synthetic adhesives; linseed, soybean, castor and marine oils; *Patterson-Sargent*, industrial, marine and consumer coatings.

Sprague Meter

William A. Haist, Jr., *President* Gas meters and regulators, acetylene and liquid propane gas cylinders and related hardware, pipe clamps, repair clamps and service fittings for gas and water utilities.

Walker/Parkersburg

Thomas J. Sullivan, *President* Electrical raceway products and systems; pre-engineered metal buildings.

Max (Japan—50% owned)

Chikara Hiruta, *President* Office, home and industrial staplers and staples, pneumatic nailers and staplers, wire stitchers, drafting machines and tables, paper shredding machines, agricultural binding equipment.

Townsend

Harold C. Kornman, *President* Fastening systems, special fasteners and cold formed metal parts for aerospace, automotive, appliance, railroad, coal mining and construction industries, installation tools and automatic fastening machines.

Waterbury Farrel

Stanley G. Fisher, *President* Waterbury cold heading machines and presses, Sendzimir and other rolling mills, Cleveland hobbing machines, Thompson precision surface grinders; *Jones & Lamson*, numerical control, automatic and other turret lathes, cylindrical and thread grinders, optical comparators.

The Security Corporation

Donald H. Garlock, *President* Fire and casualty insurance including commercial multiple peril, automobile, homeowners', fire, liability, workmen's compensation, group accident, ocean and inland marine and aviation insurance.

Textron Financial Corporation

Gordon A. Clarke, *Vice President* Sales financing of Textron and other products.

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